

Equity Management

PROJECTED RESULTS AND VALUATIONS

Earnings forecasts: a pause in the decline or the start of a recovery?

- A slowdown in the deterioration process during the holidays.
- We are still somewhat cautious on the strength of profits in the context of a global slowdown.

Valuations remain attractive and stable, but the extremely low levels must be seen in context.

- The year-end rally in the equity markets was counterbalanced by the decline in interest rates.

OTHER FACTORS

Cash and banks: higher withdrawals from European equity funds.

- Further withdrawals from U.S. equity funds in November and December.
- Weak recovery in the M&A market, but the market's rise creates an opportunity for some equity offer.

Chart analysis: a welcome rally but worries persist for 2012.

- The trend remains positive for early 2012, but the potential appears limited.
- The deterioration of long-term charts continues to stoke fears of a bearish downturn in 2012.

OUTLOOK

Outlook: despite some positive economic signals, many uncertainties remain.

- The macroeconomic data of the past weeks reflect stronger-than-expected activity, particularly on the part of U.S. consumers.
- Another reason for relief: while the ECB did not deliver the Quantitative Easing hoped for by the markets, the three-year unlimited bank financing operation (LTRO) is still good news. It at least avoids the massive refinancing of banks in 2012, and leaves room for governments to fund themselves through the bond market.
- The weakening of profits expected by the analysts' consensus stabilised over the holidays, but the profit warnings stacking up

as the year starts should revive the trend. We haven't altered our profit forecasts, which are still far below the consensus.

- The risk appetite, still far behind the usual norms, continues its slow rise, and is now out of the "panic" zone.
- The most important point, however, remains the huge uncertainty about the resolution of the European debt crisis: the early months of 2012, interspersed with major elections, should continue to be buffeted by opposing winds, whether in the short term (important maturities for peripheral countries), or in the longer term (fiscal and budgetary integration still awaiting a framework). The crisis is not likely to be resolved before the second half of the year.
- We are not altering our expectations for the financial markets, which are slightly negative at 3 months and positive at 1 year, and are maintaining a preference for Asia and the United States.

A WORD ABOUT THE INVESTMENT STRATEGY

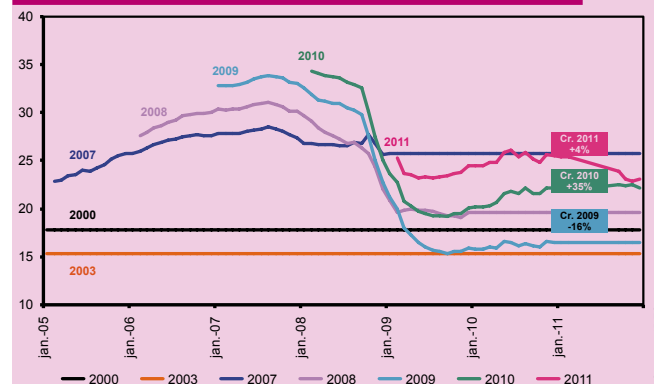
We remain bullish on consumer cyclicals, boosted by the consumption of emerging countries and technology shares. We are staying clear of financial shares, which are highly dependent on EU debt, although we would not hesitate to return to the sector in the event of good news on the Greek PSI.

Performance of the main indices since the start of the year

	11/01/12	Var. YtD in euros
DJ Euro Stoxx 50	2339	0,99%
SBF 250	2380	1,51%
CAC 40	3205	1,42%
FTSE 100 (UK)	5671	2,89%
S&P 500	1292	5,16%
Nasdaq	2711	6,47%
Topix (Japan)	733	3,03%

Source: Datastream

Profits forecast by the consensus on Euro Stoxx



Performances of international stock market indices in local currency

